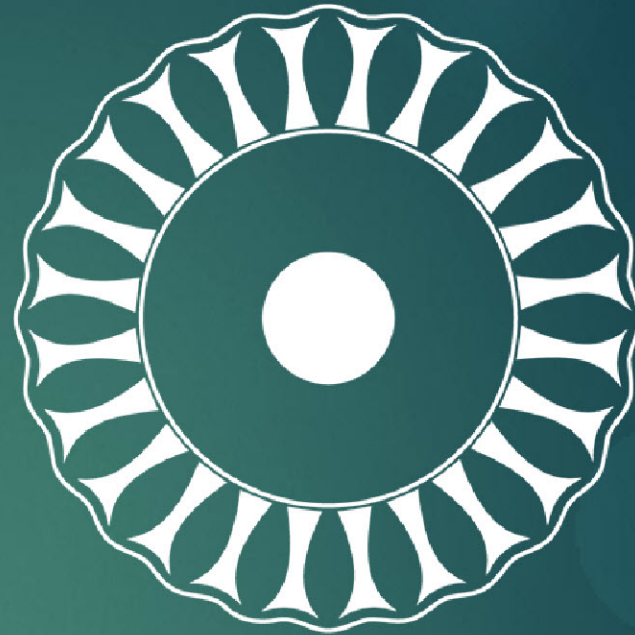


City of Hayward

FY 2015 PROPOSED ANNUAL
OPERATING BUDGET



Fran David, City Manager
Tracy Vesely, Director of Finance
May 13, 2014



PROGRESS THROUGH ADVERSITY

WHERE WE'VE BEEN
WHERE WE'RE GOING
WHAT WE MUST OVERCOME

Presentation Topics



- ▶ No action tonight – presentation of proposed budget
- ▶ The Budget Message
- ▶ Overview FY 2015 budget
- ▶ The General Fund & forecast
- ▶ Key budget influences
- ▶ Next Steps

The Message



- ▶ Extended fiscal crisis
- ▶ Council has taken bold action last several years
- ▶ \$30M projected gap (2011) to \$4.5M (2015)
- ▶ Balanced budget through use of Reserves (\$4.5M)
- ▶ Budget provides some critical staffing resources
- ▶ Maintains high service levels – Council priorities
- ▶ Last year recommending use of the Reserves
- ▶ FY 2016 & FY 2017 must close the gap

Budget Overview



- ▶ Economy is recovering, but expenses continue to grow
- ▶ Key revenues improving: Property Tax & Sales Tax
- ▶ Employee benefit costs rising (CalPERS, OPEB liability, medical)
- ▶ General Fund Deficit persists = \$4.5M in FY 2015
- ▶ Use of Reserve of \$4.5M in FY 2015
 - ▶ Can not continue to use Reserve to balance future budgets
- ▶ Continue to work toward fiscal stability

Total City Budget

(expenditures)



<i>in 1,000's</i>	FY 2014 Adopted	FY 2015 Proposed	\$ Change	% Change
General Fund	\$127,482	\$132,748	\$5,266	4.1%
Other Funds	\$121,728	\$123,317	\$1,589	1.3%
Total	\$249,210	\$256,065	\$6,855	2.8%

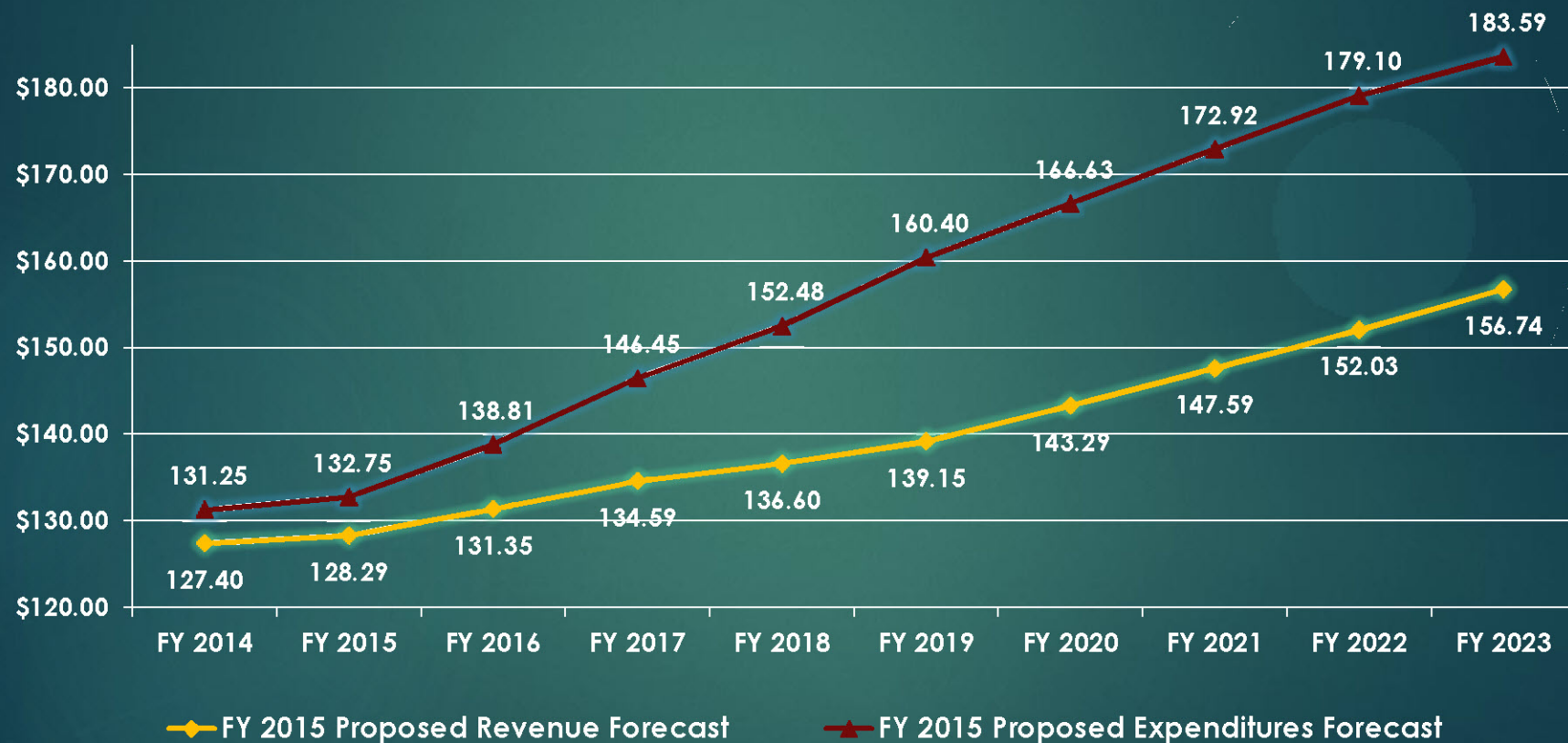
- ▶ General Fund Increase over FY 2014 Adopted of \$5.3M
- ▶ Total City budget growth of only 2.8%

General Fund Forecast: The Gap



FY 2015 Gap = \$ 4.5M

FY 2023 Gap = \$26.8M



Ten Year Plan Cost Drivers



- ▶ Loss of State Gas Tax Revenues
- ▶ Escalating CalPERS rates – increase almost 60% by FY 2023
- ▶ Retiree Medical minimum contribution (ARC) – partially funded
- ▶ Minimal wage growth assumptions
- ▶ Limited capital costs:
 - ▶ fleet
 - ▶ technology
 - ▶ streets maintenance
 - ▶ traffic impact fee study

Ten Year Plan Cost Drivers



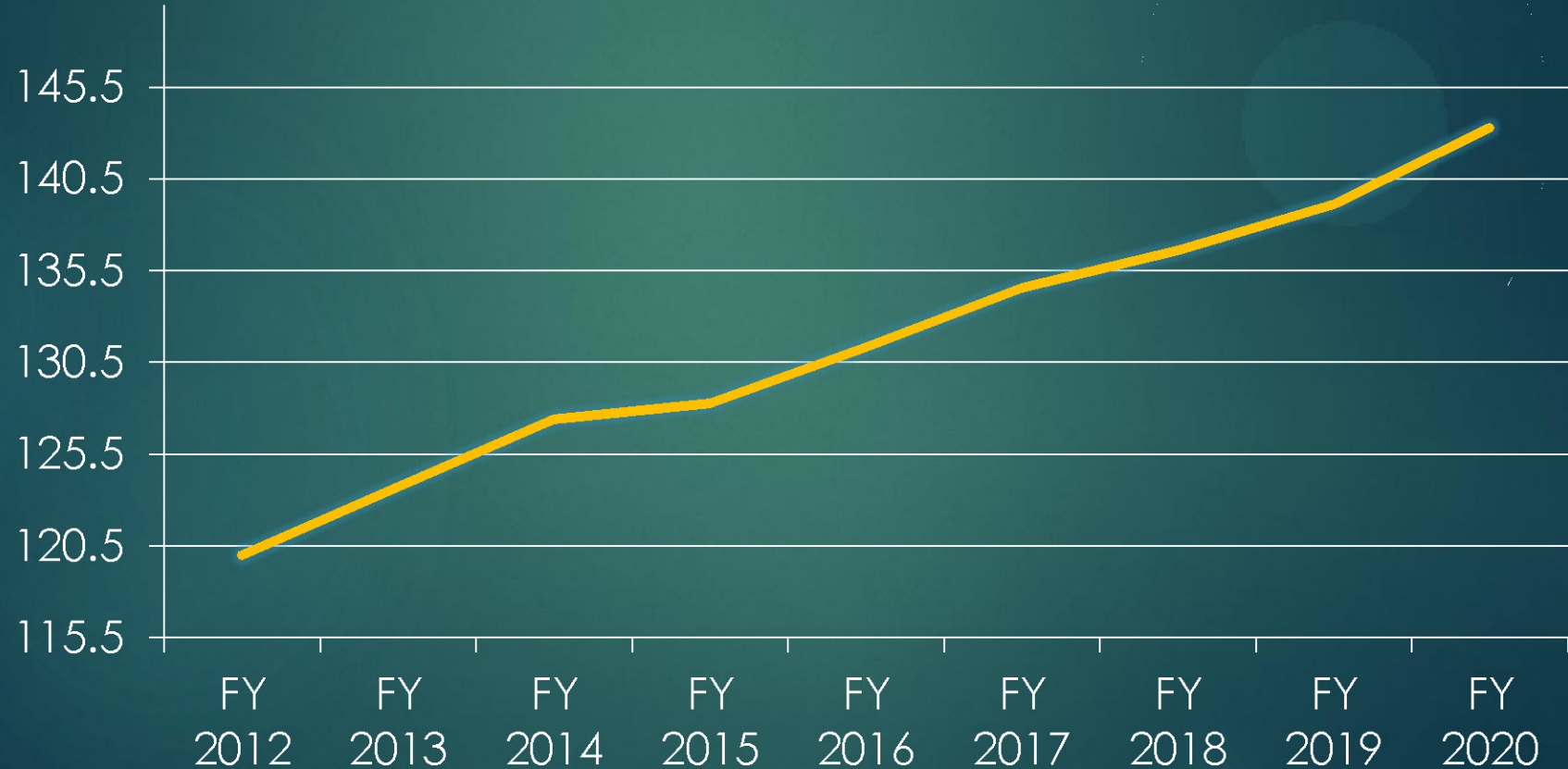
MANY CRITICAL COSTS NOT INCLUDED IN BUDGET

- ▶ Full funding of OPEB annual required contribution (ARC)
 - ▶ Fund the ARC by FY 2017
- ▶ \$1M cost in FY 2019 due to Affordable Care Act “Cadillac tax”
- ▶ Over \$510M in unfunded capital/infrastructure needs
- ▶ Funding for critical resources to meet increasing demands

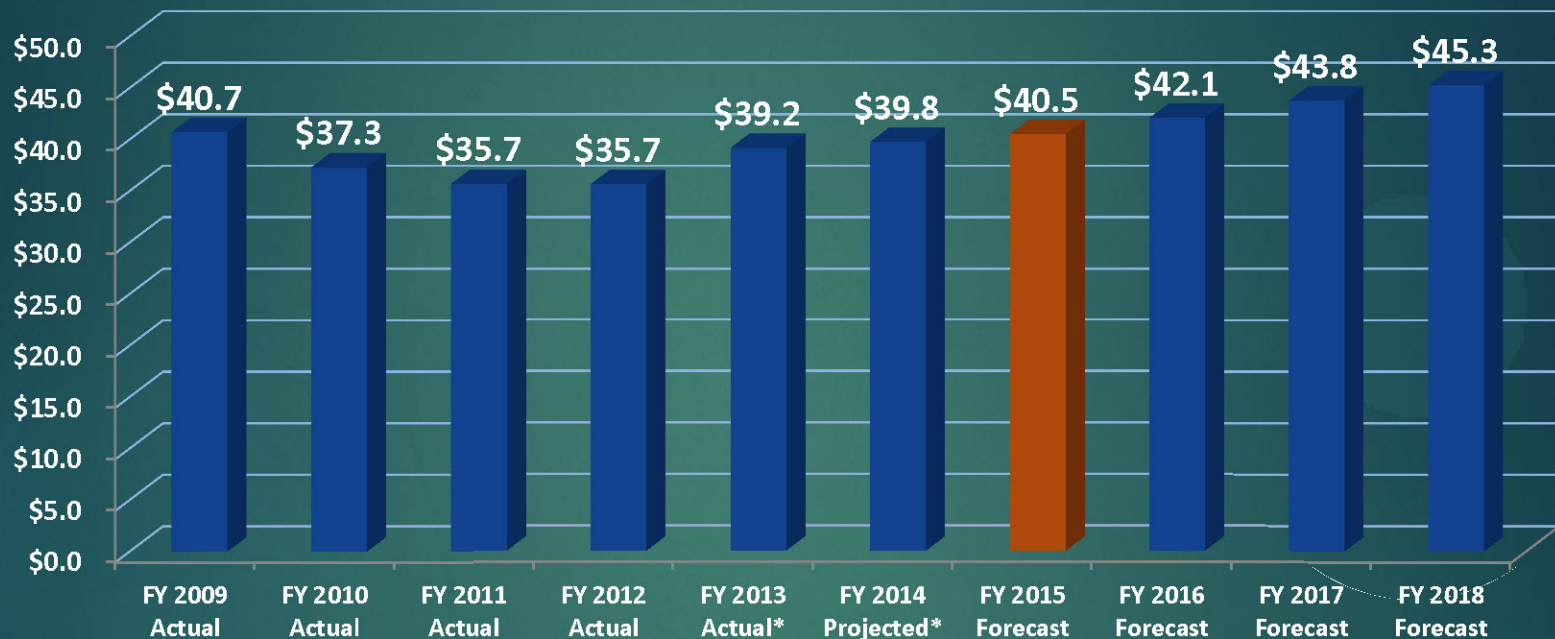
General Fund Revenue Growth



FY 2015 GROWTH OVER FY 2014 ADOPTED = \$3.4M



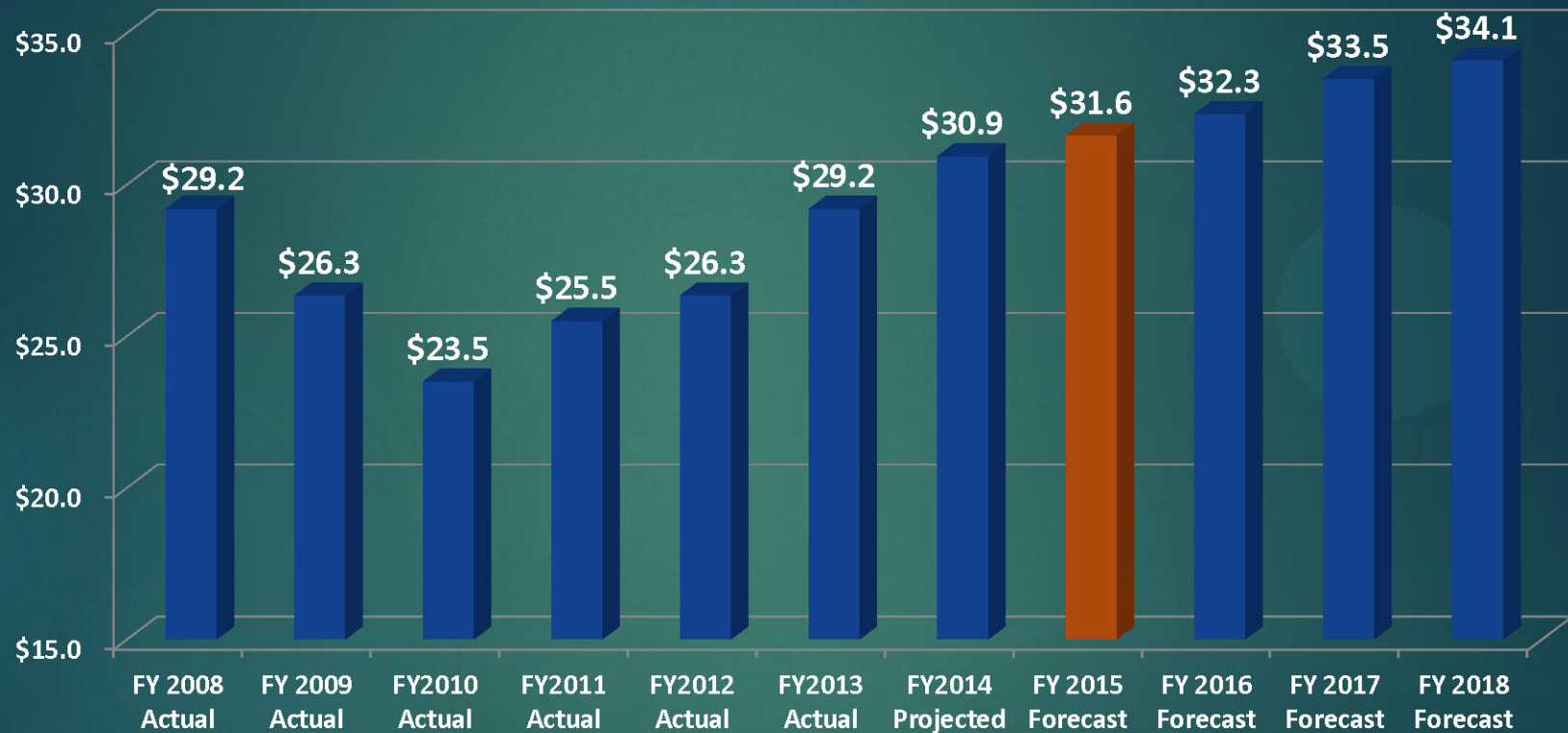
Property Tax Projections



**FY 2013 includes \$1.9M one-time revenue *FY 2014 includes \$1.2M one-time revenue*

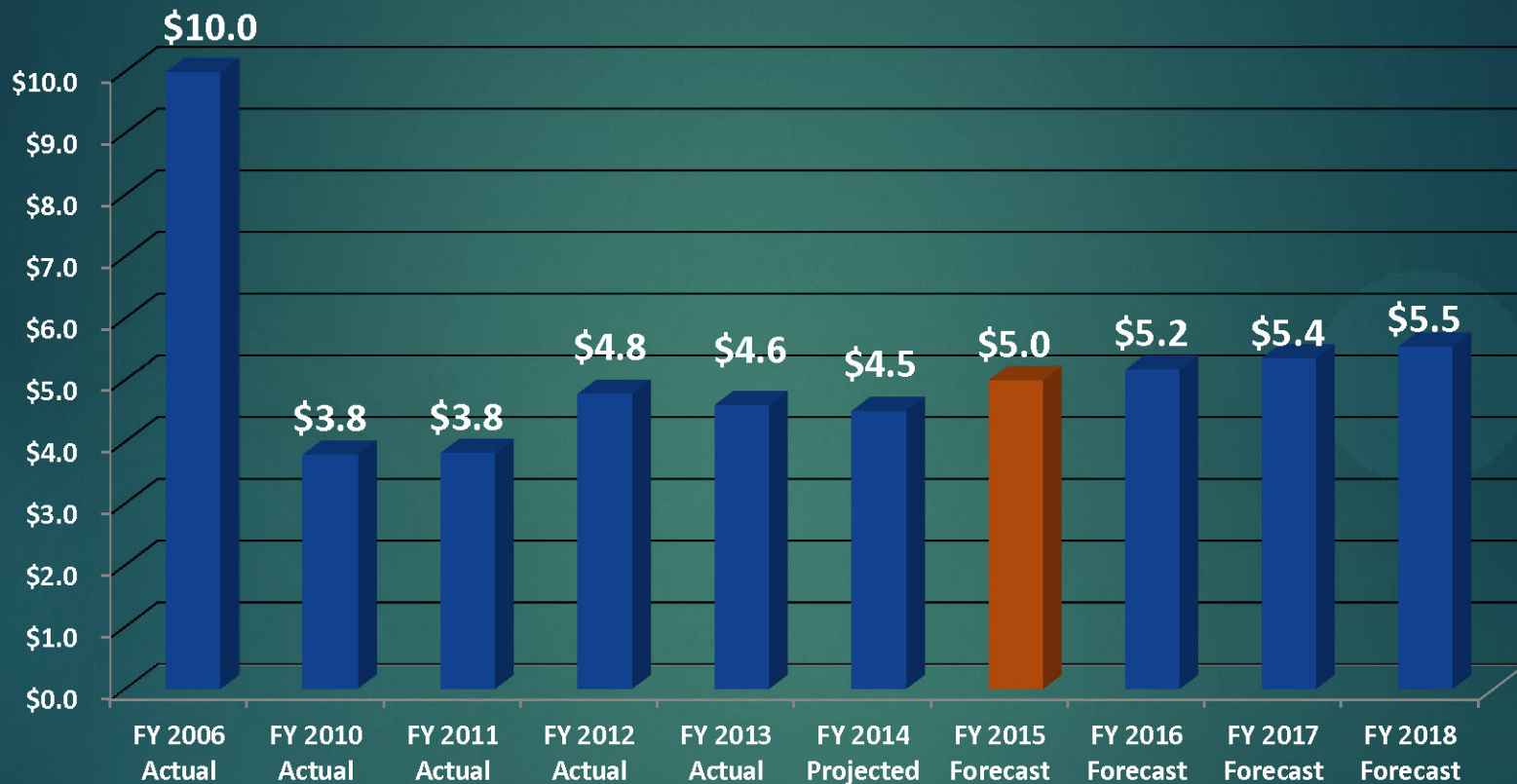
- ▶ FY 2015 projection increased by \$2.4M (6.2% over FY 2014)
- ▶ FY 2015 and future years growth at 3.5% - 4%

Sales Tax Projections



- ▶ FY 2015 forecast reflects current trends and market
- ▶ Future years reflect modest 3-4% growth

Property Transfer Tax Projections

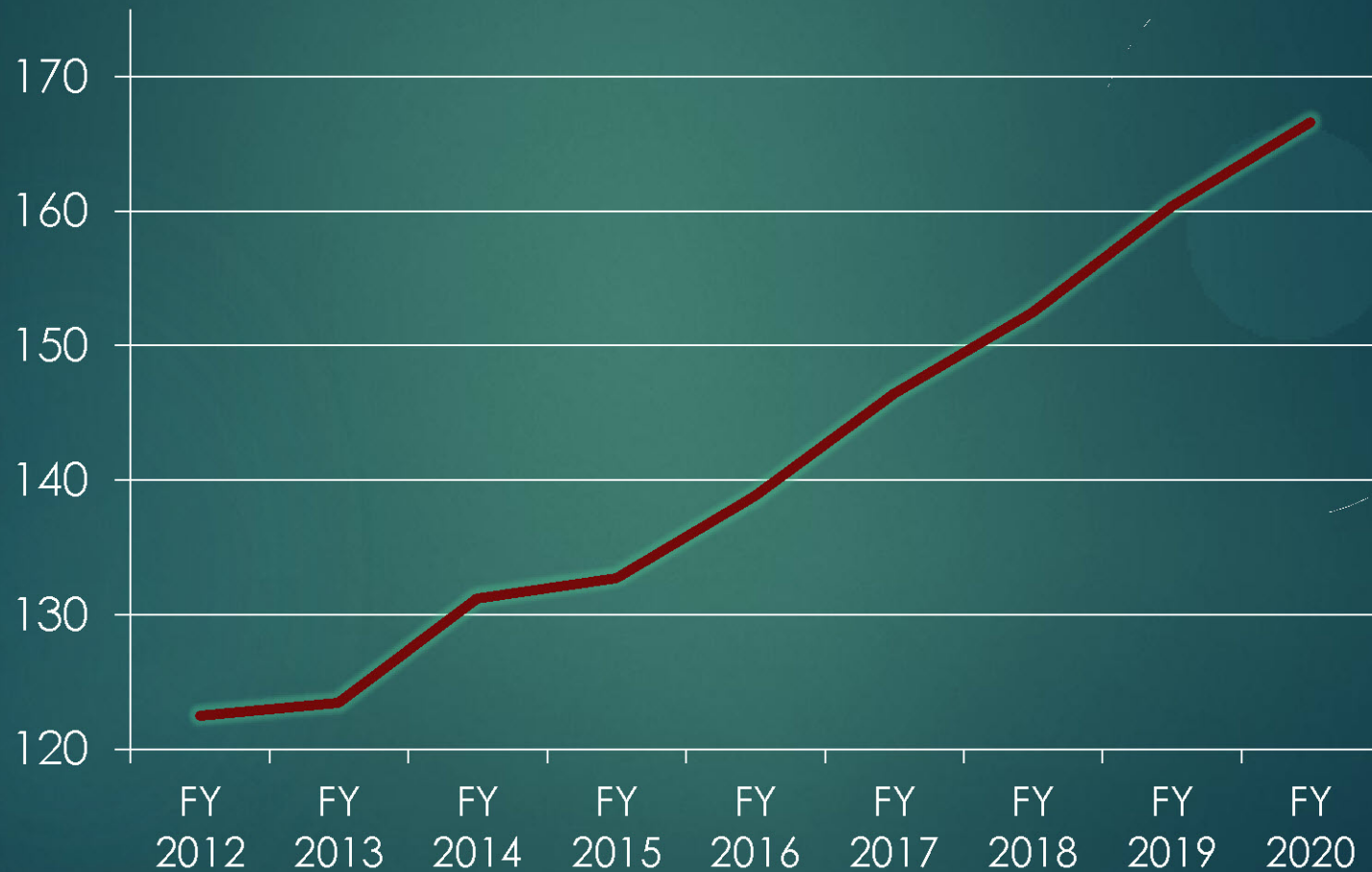


- ▶ FY 2015 forecast reflects current trends and market
- ▶ Future years reflect modest 3.5% growth
- ▶ Volatile revenue tied to the real estate market

General Fund Expenditure Growth



FY 2015 GROWTH OVER FY 2014 ADOPTED = \$5.3M



Key FY 2015 General Fund Expenditure Increases

- ▶ PERS rates skyrocketing = \$2.3M
- ▶ Reduced Vacancy Savings = \$400K
- ▶ Increased OPEB = \$1.1M
(\$4.5M out of \$6.5M)
- ▶ Increased Capital & Internal Service = \$3.0M

Total City Staffing – 824.2 FTE

	FY 2014 Adopted	FY 2015 Proposed	# Change	% Change
General Fund	629.05	642.70	13.65	2.2%
Other Funds	174.50	181.50	7.0	4%
Total	803.55	824.20	20.7	2.6%

- ▶ FY 2003 (936.8 FTE) to FY 2014 (803.55 FTE) = 14% loss
- ▶ FY 2015 Budget restores some critical staffing
- ▶ Does not come close to full resource needs

FY 2015 Budget Calendar



- May 13, 2014: Proposed Budget
- May 20, 2014: Work Session #1
- May 27, 2014: Work Session #2
- June 10, 2014: Work Session #3
- June 17, 2014: Public hearing on operating budget
- June 24, 2014: Adopt operating & CIP budgets



Questions & Discussion

